Productivity Today

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Inside this issue:

Value Engineering Quarterly Goals

The Value Engineering Program has quarterly goals. Consequently, all installations with VE goals, must meet these quarterly goals. Quarterly goals are 15% of your annual goal by the end of the first quarter; 40% by second quarter; 70% by third quarter; and final achievement of your total annual goal by the end of the fiscal year.

We've finished our first quarter and several installations/organizations exceeded their first quarter.

Installation	FY 2001 VE Goal	Savings Reported First Quarter	Percentage of their Annual Goal
ARDEC	$4,700K	$3,164K	67%
Crane AAA	$1,700K	$ 495K	29%
Tooele AD	$1,000K	$ 219K	22%

Blue Grass AD submitted a VEP that placed them at 9% of their annual goal. Overall, the OSC achieved 34% of their annual goal during the first quarter.

OSC reports its VE progress to the U.S. Army Materiel Command quarterly. If we do not achieve the quarterly goal, we must explain why and what actions we are taking to get back in the "Green". We must all work together to meet the quarterly goals. If you need assistance with either identifying promising topics for VE studies, VE training, or documenting value engineering proposals, please contact your OSC point of contact.

Deidre Eaton, eatond@osc.army.mil, DSN 793-5204

See memo from Under Secretary of Defense, J.S. Gansler, regarding the effectiveness of VE. (Page 12)

VE Training at Combat Equipment Battalion (CEB)-Hythe

CEB-Hythe employees recently attended a VE Workshop and began work on four VE studies that could total three-year savings of over $700,000. Over 20 CEB-Hythe employees attended the VE Workshop, held 17-19 October 2000.

In the study portion of the workshop, the 20 employees divided themselves into four study teams to work on VE studies. Each study team selected its study topic.

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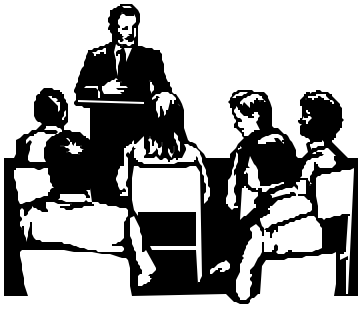

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The study with the greatest savings involved analyzing, refining, and documenting the efficiencies CEB-Hythe will gain from co nstruction of the "BPL Dock", a floating work pier. This project is underway at Hythe. The design and construction of the BPL costs $439,598. The study team established that the three-year savings from using the BPL will total an estimated $1,056,658, for a net three-year savings of $616,700. Savings for the BPL include elimination of the launch, labor savings, and other efficiencies.

Other studies included new and improved procedures for extraction and disposal of bilge wastewater, valve installation, and vehicle maintenance. This last study could yield substantial savings. These three studies are in process.

CEB-Hythe is a Field Services Support Command installation, and reports to Headquarters, U.S. Army Materiel Command, Combat Equipment Group-Afloat, located at Goose Creek, SC. CEB-Hythe is in the United Kingdom, and is responsible for maintaining the Army watercraft in APS-3.

CEB-Hythe provides all levels of watercraft maintenance, up to and including depot level. CEB-Hythe also maintains major marine end items, and materiel handling/other tactical equipment in support of the Army Preposition Stock (APS) afloat program (APS-3) port opening package. The watercrafts are by the Army for port opening, as well as logistics over-the-shore and lighterage operations.

The VE Workshop facilitators were Charles Cell and Tim Karcher, from the OSC VE Team.

Charles Cell, cellc@osc.army.mil, DSN 793-4132

OSC Annual Value Engineering Conference

The 2001 OSC VE Conference is in the initial planning stages. This annual conference brings together VE personnel from the Headquarters, U.S. Army Materiel Command, OSC, and VE personnel from installations served by these organizations. We've invited contractor and Government contracting personnel to attend.

We've tentatively scheduled the conference for the second week in August 2001. Please provide any topics or subjects you would like to see addressed to Rick Paul, AMSOS-RMP, email paulr@osc.army.mil, DSN 793-2996.

Sierra Army Depot (SIAD) WORKSHOP

Mr. Clifford Louie, Value Engineering Manager (VEM), Sierra Army Depot hosted a workshop conducted by the OSC Value Engineering Team (Charles Cell and Robert Roehlk), 14 –16 November 2000. The class consisted of 10 Sierra employees and one Rock Island Arsenal employee. The workshop emphasized the methodology of value engineering, which included class exercises and instructed them on how to do a VE study and the process for submitting a Value Engineering Proposal (VEP). The workshop also conducted three VE studies on live projects at Sierra. The students presented the VE studies to Sierra's Commander and Civilian Executive as an overview. Moreover, Mr. Cell presented a Value Engineering overview to Sierra Managers at the weekly Commander Staff meeting to emphasize what the workshop accomplished. We would like to congratulate Clifford Louie on the fine preparation he did for the workshop and the effort he has done to promote Value Engineering at Sierra AD since recently becoming the VEM.

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Value Engineering Proposal (VEP) on Lease Vehicle Cost Reduction

Tooele Army Depot (TEAD) submitted a VEP titled, "General Service Administration (GSA) Lease Vehicle Cost Reduction Study". The proposal reduced the number of leased vehicles and swapped other leased vehicles for less expensive models. The study generated a net savings of $219K. TEAD exceeded their first quarter goal of $150K with a reported savings of 22% first quarter.

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The Post-MEO Performance Review Assesses the Government's Effectiveness at Implementing Its Most Efficient Organization in an A-76 Study

Purpose
The purpose of this article is to discuss an auditing tool called a Post-MEO Performance Review. This review assesses the performance of services provided by the Government when the Government wins a cost competition with private industry.

Background
The Commercial Activities (CA) program emphasizes competition of Government provided services with the private sector to determine the most efficient and cost-effective means to providing required services.

The Government offers private industry the opportunity to bid to perform services currently performed by the Government. Contractors submit bids, called offers, for work currently performed under a Government workforce. A cost competition determines if the contractor wins the right to perform the work, or if the Government employees will continue to perform the work. If the Government wins, the Government must operate the new organization as stated in their proposed organization, called the Most Efficient Organization (MEO).

The Government writes a Performance Work Statement (PWS) to prepare for the cost competition. The PWS describes the services currently performed by the function(s) under study. The bidding contractors, or offerers, will use PWS to develop their cost estimates. Likewise, the Government will use the PWS to develop their MEO. In addition to the MEO, the Government will prepare plans that detail how they will transition to the new organization.

When the Government wins the cost competition, the contracting officer will treat the performance of the MEO the same as the contracting officer would treat a contract performed by private industry. The contracting officer measures the provided services with the quality assurance plans created by the Government to insure the Government is providing services at least cost to the taxpayer.

The cost competition determines who will perform the services. In a negotiated contract, the Government can win the cost competition after demonstrating that its bid is either lower or more technically acceptable, or a combination of the two. The Government can also win if there are no offers at the time of cost competition. Regardless of how the Government wins, it must transition to and implement the MEO.

Implementing a MEO may look straightforward when you break the process down to manageable tasks. The real difficult part of the process may come after the cost competition, when the Government may encounter unexpected obstacles to full MEO implementation. The workforce may not understand why personnel cuts are necessary. If not properly informed, they will view a win by the Government as a continuation of the status quo. Managers and supervisors may be reluctant to reorganize into the MEO, and thus, not support the MEO. A change in installation commanders that coincides with the MEO implementation may result in the new commander not focusing enough time on transitioning to and implementing the MEO.

Post-MEO Performance Review
When a contractor wins a cost competition, a Government oversight office measures their performance throughout the life of the

(Continued on page 4)

(Continued from page 3)
contract. The same is true when the Government wins the cost competition. An independent Governmental agency will audit the MEO, called a Post-MEO Performance Review, 12 months after MEO implementation.

The auditor will look at three essential areas to determine the Government's effectiveness at implementing the MEO. First, did the Government implement the MEO in accordance with the management study? Second, is the MEO performing the services in the PWS? Third, are the actual costs within the in-house cost estimate?

The Government should resist any temptation to alter the MEO, unless mission dictates changes are necessary. The Government must document all changes that occur to the staffing levels in the MEO and any other costs that change the actual costs compared to the estimated costs.

At the Post-MEO Performance Review, the auditor may measure the MEO performance in terms of workload, responsiveness and quality of work. Actual vs. estimated labor and material costs are primary measures of cost conformance. When the audit exposes minor deficiencies, the auditor should work with the installation to develop a plan to make necessary corrections in a period of time consistent with that given to a contractor. Failure to correct the deficiencies could mean loss of the MEO work to the next lowest offerer who participated in the cost competition. Where there were no offerers other than the Government, the contracting officer will require the installation to re-compete the PWS.

Summary
The Post-MEO Performance Review measures the degree of conformance of services provided by the Government. The Government writes the PWS, which identifies the required services. The MEO is the Government's solution to providing those services within the allowable levels of quality.

The Government should retain essential personnel from the CA team that guided the process from Congressional notification to transitioning to the MEO. No one else in the organization will have more knowledge of the entire CA process than that of the CA manager. Management should have a good reason before recommending to the installation commander to allow the MEO to take on work that the CA Team did not include in the PWS. The CA manager can provide valuable information about the CA process to assist the commander in determining the reasonableness of justifications to allow changes to the MEO. It is very important that the MEO changes only when the mission dictates, and then only with clear reasoning, thoughtful execution, and detailed documentation.

The best source of information to learn more about the Post-MEO Performance Review is in Handbook No. 8, part of a series of newly released handbooks on Commercial Activities from the Department of Defense. This reference, along with other valuable information is found on our Commercial Activities home page on the internet at http://www.osc.army.mil/rm/rmp/libmain.htm, and the Assistant Chief of Staff for Installation Management home page at: http://www.hqda.army.mil/acsimweb/ca/ca1.htm.

References:
DoD Handbook No. 8, Making the Cost competition Decision and Post A-76 Actions, Oct 2000.
AR 5-20 (Draft) 9 Nov 2000.
DA Pam 5-20 (Draft) 7 Oct 2000.
OMB Circular No. A-76 Revised Supplemental Handbook.

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The World Wide Web: A Key Tool for the Competitive Sourcing (A-76) Program

One of the keys to working effectively in competitive sourcing, is the ability to keep up with changes in A-76 policy, guidance, and regulation. Why? Because not incorporating current policy changes directly effects our A-76 studies viability in the appeals and protests phase of the A-76 process.

So how do we stay abreast of A-76 policy, regulation, and best practice changes? The answer is three simple words: World Wide Web! As a labor-saving, information technology tool, nothing can beat the web!

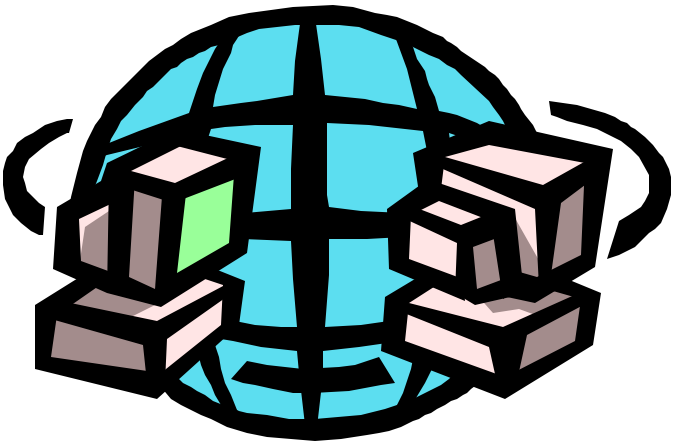
So how do we use the web? We use the web in two ways. First, we use the web's awesome search capabilities as a "bloodhound" to sniff out the latest changes in the A-76 program. We set aside a small amount of time each week to search the Department of the Army, the Office of the Secretary of Defense, the Office of Management and Budget, and the General Accounting Office, and other service web sites for information on best practices and policy changes.

Next, we take useful information that we find and add it to our Commercial Activities Library Web Page (For descriptions of this page see the companion article in this issue of productivity today.) Our web page is a virtual library that we've organized to provide both OSC and the U.S. Army Munitions and Armaments Command (MAC) headquarters personnel and installation personnel nearly instant access to the latest relevant information on the A-76 program.

By making effective use of this great information technology tool, we've been able to increase our real world mission capability. Although our virtual library has been up and running for only a short time, we've already received highly positive feedback from our users.

If you work in the A-76 program and haven't visited our page please stop by, the web page will impress you!

Scot Johnson, johnsonw@osc.army.mil, DSN 793-5017



OSC Announces New A-76 Library Web Page

On 20 October 2000, the HQ OSC Commercial Activities Team announced its new on-line library of A-76 publications and websites. You can find the library at http://www.osc.army.mil/rm/rmp/CommAct.htm. The library contains links to official publications and sites from the Office of Management and Budget, the Department of Defense, the Department of the Army, and the U.S. Army Materiel Command, other Army commands, other services, and General Service Administration, as well as some non-governmental sites. The CA Team will add, update or delete library entries as necessary. Bookmark this site and make it your first stop when searching for information.

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DOD Announces New A-76 Knowledge Base

On 1 December 2000, the Defense Department unveiled a web site designed to help with the A-76 competition process. Known as "SHARE A-76!" and subtitled "DOD's new A-76 Cost Comparison Knowledge Base", this site may turn out to be the premiere source for A-76 information on the web. You may find it at http://emissary.acq.osd.mil/inst/share.nsf; it is also listed in the OSC A-76 library site.

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A Model for the A-76 Cost Comparison Bid Opening

The OSC Commercial Activities (CA) Team planned and hosted the Cost Comparison Bid Opening event for Tooele Army Depot (TEAD) at OSC on 29 November 2000. The event was a success, and we intend to use the plan as the model for future A-76 bid openings.

We based the plan on Chapter 7 of DA Pamphlet 5-20, with variances from the guidance staffed in advance at U.S. Army Materiel Command and Department of the Army. It anticipates completion of the event in one day, with the public review period to begin on the following working day. Key features of the plan were:

- Scheduling a firm date for the event far enough in advance to arrange for necessary venues, travel, and announcements at the required times.

- Venues – a suitable private room in which to hold the event at OSC, and a meeting hall in which to hold the Commander's announcement meeting with the affected employees at TEAD.

- Attendees – from Acquisition, the A-76 team leader and Contracting Officer; from TEAD, the CA Manager and COMPARE expert; and the Independent Reviewer (in this case, an AAA employee). The COMPARE software expert and the Army Audit Agency representative each came equipped with a laptop computer with the software needed for the event.

- Supporting personnel from the OSC CA Team and contracting to assist before and after the event.

- Materiel support – the OSC CA Team provided a printer, a backup computer, telephone, fax, scanner, and e-mail services.

- Timing – the bid opening began at 0900 hrs CST and the Commander's meeting began at 1300 hrs mountain standard time. (Because the available facility could not accommodate all the affected employees, the Commander held two back-to-back meetings). The OSC CA Team, together with Acquisition, notified key persons within the chain of command of the results between the end of the bid opening and the beginning of the Commander's meeting; notifications of the public followed the Commander's meeting.

Language added to the November draft revision of DA Pamphlet 5-20 indicates that fewer persons may attend the bid opening than we used, and suggests that the time required to perform the required notifications might pose a problem. DA has assured us, however, that the final language will eliminate any such perceived obstacles. So we are confident that future bid opening events will follow the pattern described above.

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Unique Alternative to A-76 Commercial Activities

We want to share with you a unique alternative to the A-76 Commercial Activities cost comparison process. There are Federal Regulations that let Government agencies skip the A-76 competition if the work goes to a company with at least 51% Native American ownership. The firm must perform the work at a fair and reasonable price.

Here are some facts on direct conversions to Native American Firms:

Army Interim Guidance on Conducting Commercial Activities Studies, dated 6 Sep 2000, authorizes direct conversions to Small Business Administration 8(a) Business Development Program firms with at least 51 percent Native American ownership:

"Effective immediately, commanders may convert in-house activities of any size to contract performance without a cost competition study if the contract is awarded to an eligible 8(a) firm with at least 51 percent Native American ownership at a fair market price, even if the conversion results in adverse employee actions."

- The Code of Federal Regulations, 13 C.F.R. 124.506, says the Small Business Administration (SBA) can accept sole source directed awards for Alaska Native Corporation 8(a) contractors and Tribal 8(a) contractors of an unlimited size.

- The Federal Acquisition Register, FAR 19.805-1.2.b.2, stipulates that the $3M and $5M Competition limits for 8(a) sole source contracts does not apply to Native American Tribes or Alaska Native Corporations.

With this combination of procurement policies, direct conversion and use of the 8(a) program, agencies may elect to convert in-house activities, of any size, to a certified 8(a) firm that is 51 percent Native American owned.

The SBA has a couple of reasons why the Government should consider this alternative:

o Cost Savings Achieved Quickly - With this alternative there is no cost for the study and the organization could realize savings right away, the next year, instead of two or three years down the road.

o Less Impact on Current Employees - With this quicker process and less uncertainty than the A-76 study, there may not be as great an impact on morale.

However, agencies need to work with affected employees to ensure they are a part of the decision making process when contemplating this option. A successful direct conversion to a Native American owed firm requires a solid labor-management partnership with the clear purpose to improve on the outstanding work they've been performing for many years.

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Reflecting is generating lots of ideas; questioning the information which you have collected; using your imagination; thinking, pondering, and daydreaming; brainstorming and "what-if-ing."
Some good examples of Reflecting quotes are:
There is a correlation between the creative and the screwball. So we must suffer the screwball gladly.-Kingman Brewster
It may be that those who do most, dream most. Stephen Leacock
One must still have chaos in oneself to be able to give birth to a dancing star. -Friedrich Neitzsche
Discovery consists of looking at the same thing as everyone else and thinking something different. -Albert Szent-Gyorgyi
From www..bemorecreative.com

Conference Controls

We recently issued an OSC regulation on the Sponsorship of Conferences. The regulation establishes conference controls and procedures to ensure efficiency, effectiveness, and propriety in planning and conducting conferences. We have highlighted some of the important components of the conference controls policy below.

Conference Regulations and Guidance:

- OSC Regulation 1-5, Sponsorship of Conferences, 21 November 2000.
- AMC Regulation 1-12, Sponsorship of Conferences, 2 August 1999.
- Joint Federal Travel Regulation, Volume II, DOD Civilian Personnel, 1 October 2000.

Applicability. Conference controls policy and procedures apply when your conference meets one or more of the following:

- 15 or more participants with TDY expenses.
- 15 or more participants meeting off-site.

Estimated costs exceed $7,500.

Exemptions. Conference controls policy and procedures do not apply to either of the following meeting types:

- Meetings that are held for training purposes and held at Government training facilities or CONUS military installations.
- Meetings sponsored by organizations, which by the very nature of their missions, require meetings away from their duty stations, i.e., audits, command inspections, etc.

Other Requirements:

- You must consider and compare at least three sites.
- You must base your selection mainly on conference costs, unless there are other significant reasons.
- You must use Government facilities when feasible.

Decision Tree. We have developed a conference decision tree to assist you in determining whether or not you must complete a conference-planning package for your conference. After estimating the total cost of your conference, including any travel, lodging, per diem, room

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Reasons to Submit an Idea
Army Ideas of Excellence Program (AIEP)

In the day-to-day operations of an organization, all of us encounter situations or processes that need improvement. These improvements may be tangible (save money) or intangible (improve the quality of life). One method of making these improvements is through the AIEP. The AIEP processes are as follows:

Suggester completes a DA Form 1045, AIEP Proposal, describing the current procedure, the proposed procedure, and benefits if the Government adopts the idea. (See page 13 for a copy of the suggestion form.)

- Suggester submits the signed DA Form 1045 to his/her local AIEP office.
- The AIEP office forwards your idea to the appropriate organization for evaluation.
- The AIEP office notifies you of the results of the evaluation.
- If the evaluating agency adopts your idea, you will receive an award, provided your supervisor does not determine your idea is totally within your job responsibilities.
- If the evaluating agency does not adopt your idea, you will retain proprietary rights to your idea for two years.

You can make a difference. Submit your ideas today.
Gloria J. McKinney, mckinneyg@osc.army.mil, DSN 793-6989

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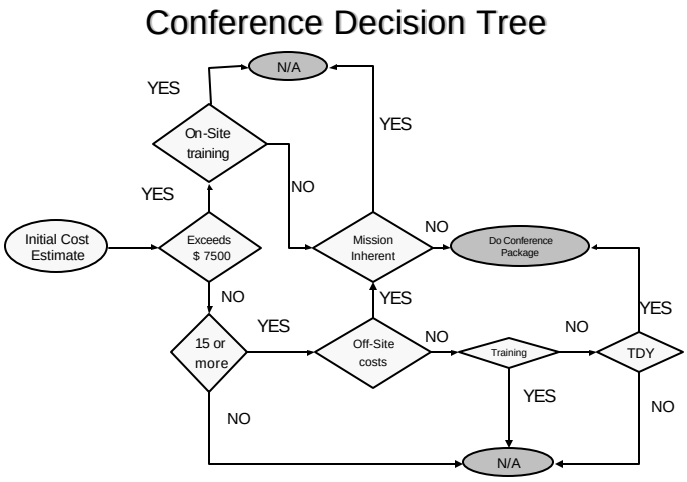
charges, etc., you should start your analysis at the cost input oval.



Conference Controls Web Page. For more information on Conference Controls, please visit our web page at http://www.osc.army.mil/rm/rmp/ConfCntl.htm.

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Productivity Measurement Program (PMP) Reports

In the last issue of Productivity Today, we discussed the OSC conversion to Activity Based Costing (ABC) based PMP codes in the Automated Time, Attendance and Production System (ATAAPS). We have now been using the new PMP codes since October 2000.

As stated previously, we are no longer able to provide many of the reports that we gave prior to ABC implementation; however, there are several reports that we can make available, many of which were not available prior to ABC implementation.

We can generate reports using any of the data contained in the ATAAPS database. Available information includes cost center, ABC customer (the two digit code identifying who is requiring the service), OpCode (a five digit code consisting of the three digit ABC-based PMP code, followed by the two digit ABC customer code), job order account number, and social security number.

With the increasing need for managers to monitor and evaluate productivity, and to track the resources expended to support our various customers, these types of reports can be invaluable tools. We can generate reports covering just one pay period, one quarter, six months, or even an entire fiscal year.

Chester Lind, lindc@osc.army.mil, DSN 793-4649.

Management Controls Evaluation Checklists

The Department of Army functional offices develop management controls evaluation checklists for key critical management controls. A common problem with completing the evaluations is that evaluators often provide simple "yes" or "no" answers to checklist questions. Evaluators need to provide more narrative with their answers. Evaluators also must show how they arrived at their answers. We are providing guidance below for your use in responding to evaluation checklist questions.

Document the Tests

Please answer the following, at a minimum:

Who: Who conducted the tests?
Who did the evaluator observe?
Who did the evaluator interview?

What: What did the evaluator review/observe?
What did the evaluator collect during interviews?
What were the results?

When: When did the evaluator conduct the reviews/observations/interviews?

Where: Where did the evaluator conduct the reviews/observations/interviews?

Common Methods of Testing

Direct Observation or Interview: Observe things personally and evaluate the performance of the control. Talk to the people doing the work. What are they doing? How are they doing it?

File Document/Analysis: Review and analyze documents demonstrating controls such as approval authorities, existing records, control registers, memorandums, inventory records, etc.

Sampling: Sampling is suitable for nearly all repetitive operations, especially when you keep records on standard forms such as prenumbered receipts. Consider using sampling for tests of personnel, maintenance, supply, finance, and other service support records. Your sample size does not need to be "statistically correct." Sample a reasonable number of documents or forms (10 percent is a good rule of thumb). Is there evidence that the control is in place, e.g., does back-up documentation exist? Did the appropriate officials sign the documents? Does the documentation match information found in other records?

Simulation: This method refers to any "dry run" or practice "walk-through" such as preplanned exercises or scenarios. Another variation is to run "dummy" data through the real system and record the results. Did the controls work as intended?

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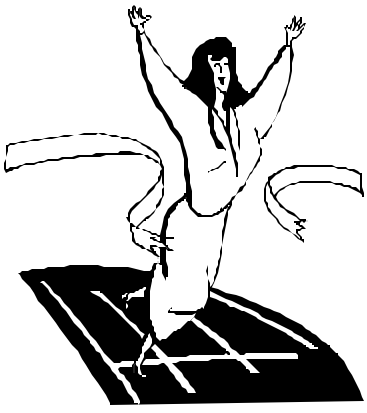
Ability is what you're capable of doing. Motivation determines what you do. Attitude determines how well you do it. ~ Lou Holtz



Building an Effective Labor and Production (L&P) Reporting Program: Goals and Challenges for 2001

The need for stricter oversight of L&P reporting in the former U.S. Army Industrial Operations Command began with the Army Workload and Performance System (AWPS) for depot maintenance in 1997-98. The Internal Review and Audit Compliance Office at Anniston Army Depot, in concert with the Army Audit Agency, developed the basic approach, procedures, and formats for L&P reviews. When AWPS broadened to include depot ammunition operations and, later, ammunition production at Crane and McAlester, L&P reviews expanded to cover them as well, but without changing the essential "maintenance model" character of the reviews.

Two cycles of reviews in ammunition operations have clearly shown a need to re-think OSC L&P management strategy in two critical areas:

"Real-time" Spot-Checks.

In the "maintenance model," the reviewer visits the work site, checks with the worker and team leader/supervisor for operations codes and production counts, and then verifies their information with the official Automated Time, Attendance, and Production System records for agreement.

This "real-time" model serves well enough in a shop environment where it is easy to find the workers, record the information, and even observe the work in process. The model is much less effective when attempted in depot ammunition and logistics areas, where the workers are not readily available for data collection in a convenient location. Instead, workers typically scatter around the depot in small groups or work teams, moving frequently from one job to another. Because "real-time" spot-checks are virtually impossible under these circumstances, reviewers must resort to other data-collection modes, for example, when workers gather together for lunch breaks, or at the end or beginning of work shifts.

Meaningful Production Counts.

Generally depot maintenance work follows a fairly orderly interlocking "hierarchy of work units" structure, in which parts fit into sub-components, sub-components into components, and so on, finally reaching a fully finished item or product, such as a tank.

Unfortunately, ammunition logistics lacks a similar hierarchical structure. Receiving, shipping, and other functions do not accumulate logically into tons the way engines, turrets, and tracks build up into tanks. In most cases, there is little or no connection between operations code and detail production reporting and larger production units. About the most useful benefit of the current L&P reporting system is controlling for "work" time (reported to a production opcode) and "non-work" time (leave, union activity, meetings, etc.). Checking for errors in work/non-work records is not completely superfluous; occasional errors in leave records do occur, but the elaborate machinery of L&P reviews that makes good business sense for depot maintenance seems to have little value for much of ammunition.

Now that we in OSC have established the "skeletal anatomy" of a more-or-less functioning L&P reporting system during the last 2 or 3 years, we need to "put some muscle on the skeleton." We need a reporting structure that makes sense for logistics and maintenance and production. We need a system that will provide management at all levels with meaningful management information. We need a management system for L&P reporting that will minimally pay for itself with something more useful than just satisfying a reporting requirement, meeting a suspense, or taking care of an administrative nuisance.

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THE UNDER SECRETARY OF DEFENSE
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WASHINGTON, D C 20301-3010

ACQUISITION AND TECHNOLOGY

22 NOV 2000

MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS
UNDERSECRETARY OF DEFENSE (COMPTROLLER)
DIRECTORS OF THE DEFENSE AGENCIES

SUBJECT: Department of Defense (DOD) Value Engineering (VE) Program and Fiscal Year (FY) 2000 Annual Report

The Department must continue to acquire our Defense products better, faster and cheaper. To achieve the most from our acquisition dollars, it is essential that we continue to emphasize the use of VE in our Defense acquisition programs. The VE program is a proven, structured approach to achieving key objectives. It eliminates unnecessary requirements, reduces acquisition and total life cycle costs, and fully supports our acquisition reform initiatives.

The effectiveness of the VE methodology in optimizing potential savings is recognized in legislation requiring its use. The Office of Federal Procurement Policy Act (41 U.S.C. 401 et seq.) requires each executive agency to "establish and maintain cost-effective value engineering procedures and processes." This public law is implemented by the Office of Management and Budget (OMB) Circular A-131, value engineering, requiring Federal departments and agencies to use VE as a management tool to reduce program acquisition and total life cycle costs. The circular also requires each department and agency report their VE results annually to OMB.

I am requesting each Service and agency prepare and submit your respective FY 00 VE Reports by December 21, 2000, to the Deputy Under Secretary of Defense (Industrial Affairs), 3330 Defense Pentagon, Room 3E1060, Washington, D.C., 20301 3330. Electronic submittals are requested (bisselj@acq.osd.mil). Guidance and definitions needed for preparation of the reports are provided in attachment 1. Attachment 2 is the DoD Inspector General Issue Resolution Agreement defining VE for reporting purposes. Attachment 3 lists Major Defense Acquisition Programs.

For almost 50 years the DoD VE Program has assisted in eliminating unnecessary cost while fostering development and implementation of both technological and economically advantageous change. I want all DOD organizations to take full advantage of this proven tool, maximizing use of the VE methodology to extend our scarce acquisition resources. I look forward to receiving your the FY00 results.

J. S. Gansler

3 Attachments:
As stated

Published by: U.S. Army Operations Support Command (OSC)

Commander
U.S. Army Operations Support Command
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